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30 November 1979

MEMORANDUM FOR: Director of Central Intelligence

FROM: 

SUBJECT: HPSCI Study of NFAC

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*Thanks - keep*  
*on hand for my review*  
*of 9 Dec reply*

1. In mid-November, HPSCI's Subcommittee on Evaluation completed a study on NFAC (right side of folder). Bruce Clarke has formed a special panel to review the report and to prepare a response (due by 7 December) for you to send Congressman Boland. In his transmittal letter, Chairman Boland noted that the report "culminates a year-long effort at examining NFAC's production of finished intelligence studies and the NIO system. Its purpose was to consider whether the current organization and management of NFAC maximizes its contribution to intelligence." The report is based on a review of NFAC studies that appeared between January and September 1978. (C)

2. The two-page executive summary (see clip) provided by the Committee highlights only the major recommendations made in the report. The report itself describes the purpose of the study, the approach taken, what the staff found out about "production management" in OSI, OWI, OSR, OPA, OER, and OGCR, the operation of the NIO system, and the conclusions reached. The review of each NFAC office usually begins with a description of the studies selected for study, proceeds to a discussion of how relevant and useful these studies appeared to be, and concludes with a general discussion of what ~~the~~ feedback suggests about how production could be better managed. The section on the NIO system describes its origins and evaluates the degree to which it has lived up to expectations. What follows summarizes the body of the report and provides some comments on it. (C)

3. The subcommittee staff selected 100 (out of 263) Intelligence Assessments and Research Papers for review and winnowed this list down to 35 which, in their view, reflected "a wide range of subjects and types of product." Each study selected was examined in terms of the requirement for it, its distribution, and the feedback it received. Extensive interviews were held with NFAC analysts, managers, NIOs, and consumers in both the policy and intelligence communities. The staff found:

- Most NFAC production is not interagency despite the promise to do otherwise when it was created.
- "The staff has seen little evidence" that D/NFAC has identified "any areas of unnecessary duplication among agencies or of serious analytic weakness" or that he has made "appropriate recommendations regarding resources"

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- 90-100% of OSI and OWI studies are self-generated and "there was duplication (with DoD) in areas where duplication did not appear to be necessary." OSI is singled out for producing a number of studies whose titles would suggest they are irrelevant "to any major set of consumers;" it was also noted that analysts received "little, if any consumer feedback." Recommendation: better coordination with DoD and Service producers and greater certainty that what is produced is really relevant.
- OSR: Praised for "its ability to integrate more than one aspect of a particular problem and assess their relationship" and instances of positive feedback noted. Recommendation: "give consideration to broadening its...production on the Middle East and certain third world areas, and perhaps reducing its coverage in others."
- OPA: "Production management appeared uneven." "A significant proportion of OPA products...may lack a very close bearing on actual consumer needs." Self-generated studies required a "significantly greater amount of effort" and may not be all that essential. The evaluation concludes with a tutorial on the difficulty of gauging consumer interest in the need for political intelligence and notes that OPA analyses tend to lack attention to the broader, longer-term implications of the issues and problems studied.
- OER comes in for rave reviews on all scores: relevance, consumer feedback, and production management and review.
- The staff found that it could not evaluate OGCR's production management because of organizational changes (i.e., ERAC) and the fact that much of what the office does is input to studies issued by other offices. A few general concerns were noted about duplication between OGCR and Agriculture (on Soviet and Chinese grain estimates) and the need for ERAC to reach out to all consumers.
- The NIO system has not lived up to its potential and "the uneven leadership exercised by the first director of NFAC appears to have contributed significantly to the shortfall." NIEs are uneven in quality, the intellectual production process "vapid," and reviews superficial (although the staff did not undertake a "fundamental evaluation" of NIEs). The staff found that the Senior Review Panel had become "integrated into NFAC's production machinery," something which "may prevent it from providing the kind of independent review by well-qualified generalists which has been lacking." With respect to specific NIO functions, finally, the staff found

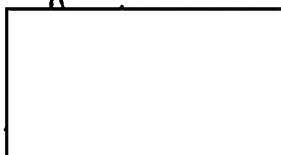
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considerable unevenness. Pages 39-47 are well worth reading as you consider the proposed reorganization of the NIO system. The staff does not appear to think that major organization change is needed but rather that you and D/NFAC make some "authoritative statements...concerning the role of the NIOs."  
(C)

4. Comment: The study suffers from serious weaknesses in approach. The sample of studies on which the NFAC section of the report is based is small and quite dated; we are given no concrete way to know that the titles studied are in fact representative. Since, as the authors later acknowledge, NIEs and IIMs do take up a lot of analysts' time, it seems unrealistic to review NFAC without considering these products or the large number of typescript memos that are an important part of the way NFAC serves policy consumers. In sum, the generalizations made about NFAC "production management" did not strike me as supportable without a much more systematic and detailed review of consumer feedback, our internal review processes, and the process by which we actually plan for future production (e.g., the NIT production strategy exercise). I seriously question the usefulness of a study now that reports on what we were like some 13 months ago. The NIO section of the report, in contrast, is much better done and also poses some important issues that are very timely in light of the reorganization that has been proposed. (C)

5. The report contains one security violation which I brought to the attention of OLC. On page 15 the NRO is mentioned, thus requiring that the report be classified SECRET. (S)



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## THE DIRECTOR OF CENTRAL INTELLIGENCE

WASHINGTON, D.C. 20505

NFAC

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Deputy Director for National Foreign Assessment

23 November 1979

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MEMORANDUM FOR: DD/OPA DD/OSI SA/Production  
 DD/OCR DD/OWI NFAC/Plans  
 DD/OER DD/OGCR EA/D/NFAC  
 DD/OSR NIC/

SUBJECT: HPSCI Staff Study of NFAC

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1. The staff of the Subcommittee on Evaluation of the House Permanent Select Committee on Intelligence has completed a study of NFAC production of finished intelligence and of the NIO system. Copies of the staff study have been forwarded to the DCI from Chairman Boland with the notation that the Committee would welcome any comments we would like to make about the points discussed in the staff report. The staff report contains both general comments with respect to NFAC production and organization and a number of specific recommendations.

2. A Special Panel is created for the purpose of reviewing the staff report; assessing the recommendations contained in the report; advising me, the DCI, and the DDCI concerning possible further action with respect to the recommendations; and preparing comments on the staff report for the DCI to send to Chairman Boland.

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[ ]

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4. I would like to meet with the Panel on 30 November to discuss its initial views, looking to completion of a letter from the DCI to Chairman Boland by 7 December.

Bruce C. Clarke, Jr.

cc: DCI  
 DDCI  
 OLC

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2. The two-page executive summary (see clip) provided by the Committee highlights only the major recommendations made in the report. The report itself describes the purpose of the study, the approach taken, what the staff found out about "production management" in OSI, OWI, OSR, OPA, OER, and OGCR, the operation of the NIO system, and the conclusions reached. The review of each NFAC office usually begins with a description of the studies selected for study, proceeds to a discussion of how relevant and useful these studies appeared to be, and concludes with a general discussion of what ~~the~~ feedback suggests about how production could be better managed. The section on the NIO system describes its origins and evaluates the degree to which it has lived up to expectations. What follows summarizes the body of the report and provides some comments on it. (C)

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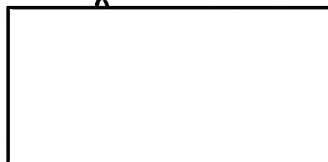
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